

## Message Text

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ORIGIN TRSE-00

INFO OCT-01 ARA-06 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 INR-07

NSAE-00 PA-01 PRS-01 USIA-06 XMB-02 COME-00 FRB-03

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DRAFTED BY TREASURY:MR. MCFADDEN

APPROVED BY ARA/APU:JMSMITH

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TO AMEMBASSY BUENOS AIRES PRIORITY

C O N F I D E N T I A L STATE 215500

E.O. 11652: GDS

TAGS: EFIN, AR

SUBJECT:CONVERSATION BETWEEN ECONOMY MINISTER CAFIERO  
AND SECRETARY SIMON

1. ARGENTINE ECONOMY MINISTER ANTONIO CAFIERO,  
ACCOMPANIED BY GYIDO DI TELLA, SECRETARY OF STATE FOR  
PROGRAMMING AND COORDINATION, MET ON AUGUST 31 WITH  
TREASURY SECRETARY SIMON, UNDER SECRETARY EDWIN YEO,  
AND ASSISTANT SECRETARY COOPER. CAFIERO BEGAN THE  
CONVERSATION BY SAYING THAT ARGENTINA IS FACING AN  
EXTREMELY DIFFICULT ECONOMIC AND POLITICAL SITUATION.  
HE SAID THAT THE POLITICAL SITUATION IS STRONGER NOW,  
HOWEVER, THAN IT WAS JUST LAST WEEK. BOTH MILITARY  
AND LABOR LEADERS ARE NOW UNITED BEHIND THE GOVERNMENT  
IN ITS EFFORTS TO OBTAIN A SOLUTION TO THE ECONOMIC  
PROBLEMS. THE GOVERNMENT IS NOW LOOKING TO THE USG  
FOR AN EXPRESSION OF CONFIDENCE. HE THEN ASKED SECRETARY  
SIMON WHAT THE POSSIBILITIES WERE OF THE U.S. TREASURY  
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EXTENDING A LOAN TO THE GOA. IT COULD BE LIKE THE  
\$255 MILLION LOAN THE ARGENTINES MADE TO THE USG BACK  
IN 1968. THAT PARTICULAR LOAN, HE SAID, WAS FOR A 13  
MONTH PERIOD.

2. SECRETARY SIMON RESPONDED BY SAYING THAT WE HAVE GREAT COMPASSION AND UNDERSTANDING FOR THE ARGENTINE GOVERNMENT. TO MAKE A LOAN FROM THE U.S. TREASURY, HE SAID, WOULD REQUIRE LEGISLATIVE ACTION. HE SAID THE CHANCES OF THE CONGRESS APPROVING SUCH A LOAN IS REMOTE. THIS IS ESPECIALLY SO DURING AN ELECTION YEAR AND WHEN AT THE SAME TIME THE ADMINISTRATION IS TAKING SUCH A TOUGH LINE ON UNEMPLOYMENT BILLS AND FINANCIAL ASSISTANCE TO NEW YORK CITY. THE REACTION WOULD BE VERY STRONG. SIMON THEN SAID THAT HE WOULD PURSUE THIS IDEA NEVERTHELESS. HE SAID THAT HE WOULD LOOK INTO ALL OF THE MECHANISMS, THE ENTIRE RANGE OF OPTIONS, TO SEE WHAT HELP HE COULD PROVIDE. HE THEN TOLD CAFIERO THAT HE WOULD GIVE THE ARGENTINES A REPLY IN THE NEAR FUTURE.

3. AT THIS POINT GUIDO DI TELLA SAID THAT THE ARGENTINE SITUATION IS RATHER URGENT. ARGENTINA HAS HAD TWO GOOD YEARS IN SUCCESSION (1973-74) BUT THIS WAS FOLLOWED BY A VERY BAD FIRST SEMESTER IN 1975. ALTHOUGH THE ARGENTINES ANTICIPATE A STRONG PERFORMANCE FOR 1976 THEY NEED IMMEDIATE AND TEMPORARY SUPPORT FOR THE REST OF THIS YEAR. DI TELLA THEN SAID THAT THE AMOUNT OF THE SUPPORT WAS NOT AS IMPORTANT AS THE GESTURE OF SUPPORT. HE THEN WENT ON TO SAY THAT THE U.S. STOOD TO BENEFIT FROM INCREASED ARGENTINE IMPORTS AND A COST BENEFIT ANALYSIS SHOULD SHOW THE SHORT-TERM LOAN TO BE VERY BENEFICIAL TO THE U.S. CAFIERO SAID THAT THE POLITICAL INFLUENCE OF THE U.S. IN ARGENTINA WILL BE INVOLVED IN THIS DECISION.

4. ASSISTANT SECRETARY COOPER THEN ASKED THE MINISTER WHAT AMOUNT OF MONEY HE HAD IN MIND. DI TELLA RESPONDING FOR CAFIERO SAID THAT ARGENTINA PROVIDED TWO LOANS IN 1968. ONE WAS \$75 MILLION WHICH HE SAID WAS SYMBOLIC - AND THE OTHER WAS \$150 MILLION - MORE SUB-CONFIDENTIAL

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STANTIAL. HE SAID THAT A LOAN OF \$225 MILLION FROM THE U.S. AT THIS TIME WOULD GO A SUBSTANTIAL WAY TOWARDS MEETING ARGENTINA'S NEED, WHICH HE ESTIMATED TO BE \$500 MILLION FOR THE BALANCE OF 1975. CAFIERO THEN SAID THAT ARGENTINA EXPECTS A GOOD CORN CROP THIS FALL WHICH WILL HELP THE BALANCE OF PAYMENTS SITUATION IN 1976.

5. THE MEETING TERMINATED WITH SECRETARY SIMON PROMISING THAT WE WOULD GET RIGHT TO WORK AND WOULD RESPOND ONE WAY OR ANOTHER BEFORE THE MINISTER LEFT WASHINGTON. KISSINGER

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